

General Questions and Answers About PACT

Q: How do I purchase a PACT contract?

A: Simply complete the online application or fill out an application and return it with the non-refundable \$100 application fee during the annual enrollment period which is October 1 – December 31.

Q: What does the contract cover?

A: A PACT contract covers (1) 128 semester hours of undergraduate public college tuition for the four-year contract option or 32 semester hours of undergraduate public college tuition for the one-year contract option and (2) 8 semesters of qualified fees for the four-year contract option and 2 semesters of qualified fees for the one-year contract option or, the awarding of a baccalaureate degree, whichever comes first. If a beneficiary takes 16 hours per semester, the 128 hours would cover 8 semesters of tuition which should be adequate to complete most every four-year degree. Qualified fees are paid for 8 semesters (2 semesters for the one-year contract options) and the list of these fees for all Alabama public institutions is provided on this website; some institutions do not have qualified fees and not all fees are covered.

Q: Why was the number of hours a PACT contract covers reduced from 135 to 128 beginning in 2006?

A: Experience has shown that many students graduate with hours remaining, and 128 semester hours is enough to complete most every four-year degree. Contracts purchased prior to 2006 will still cover the 135 semester hours.

Q: Can the contract be used if the beneficiary chooses a private or out-of-state college/university?

A: Yes. The benefits paid would be based on a weighted average of Alabama public undergraduate tuition and qualified fees at the four-year institutions. The amount paid is based on the number of hours taken since the average is computed per semester hour. For example, currently the rate is \$151.85 per semester hour (\$101.23 per quarter hour) and \$73.92 per semester (\$49.28 per quarter) for fees. If your beneficiary takes 16 hours, the amount paid will be \$2,503.52 (16 times \$151.85) + \$73.92 minus a processing fee of \$25.00 resulting in a payment of \$2,478.52. This rate changes on January 1st of each year to reflect the previous year's increases.

Q: Does the contract cover books, or room and board?

A: No. However, we also offer the Alabama Higher Education 529 Fund to help you save for these costs. A link to information about this program is available on this website.

Q: Do I have to select a particular college when I complete my application?

A: No. All public institutions are covered, as well as any accredited private or out-of-state institution (at the weighted average rate).

Q: Does the purchaser of a contract assure my beneficiary's admission to a college/university or "instate" tuition rates.

A: No. Your beneficiary must meet the admission and residency requirements of the selected college/university.

Q: What happens if my child gets a scholarship?

A: The college/university can bill PACT for the amount of the tuition and covered fees and this payment can then be applied to other qualified higher education expenses such as room and board. Owning a PACT contract could have financial aid implications which are explained in the disclosure document.

Q: What happens if my child lives out-of-state or if I move out of state after my contract is purchased?

A: If your child chooses to attend a public college/university in Alabama, PACT will only pay the in-state tuition rate; residency is an issue you must resolve with the college/university. The weighted average of Alabama public tuition/fees is paid to a private or out-of-state college/university.

Q: What makes up the PACT contract?

A: Your completed application (signed), the participation and payment schedule, and the Disclosure Statement and PACT Rules. Your signed application affirms your understanding of the benefits, risks and limitations of the program. Your Participation and Payment Schedule confirms the payment schedule you selected and the contract total amount.

Q: What will be sent to me when my application is processed?

A: You will receive a packet containing a welcome letter from State Treasurer Kay Ivey, and a copy of the Participation and Payment Schedule. (You should keep a copy of your application that is mailed to PACT.)

Q: Once I am enrolled in the Program, how can I access information about my account?

A: You can always call the PACT staff at 1-800-252-7228 or 334-242-7514 or you can directly access information through a link to the program available on the PACT website.

Q: What are the administrative fees charged by PACT?

A: Application Processing Fee - \$100

Account Maintenance Fee - \$3 per month for monthly payments and \$75 for lump sum payments (already included in your payment)

Cancellation Fee - \$75

Beneficiary Substitution Fee - \$55

Chance of Purchaser Fee - \$20

Processing Fee for Private or Out-of-State Attendance - \$25

Late Payment Fee - \$15

Returned Payment Fee - \$15

Document Replacement Fee - \$7

Fee for Change in Payment Plan - \$20

Eligibility

Q: What are the enrollment requirements for a child?

A: Children who are currently in the ninth grade or younger during the annual enrollment period are eligible. Residency is not a requirement.

Q: Can someone other than a parent or grandparent purchase a contract for a child?

A: Yes. Anyone can purchase a contract and residency is not a factor.

Contract Ownership

Q: What are the requirements for a contract purchaser?

A: The purchaser must be nineteen years of age or older and have a valid Social Security number. Corporations or trusts may also be purchasers.

Q: Can someone other than the purchaser access the contract information?

A: Since this is a legal contract, only the purchaser has the right to cancel the contract or access the information. The purchaser can provide written approval for someone, such as a spouse, to access account information.

Q: Can two people jointly purchase a contract?

A: No. Only one person is allowed as the owner of the contract. If the contract is cancelled, the purchaser is entitled to the refund. You can name a “Successor Account Owner” who would become the purchaser upon the death of the original purchaser (this person would have no legal rights unless the purchaser died).

Q: Can ownership of the contract be transferred?

A: Ownership can be transferred by completing a “Change of Purchaser” form, which must be signed by the original purchaser and notarized (\$20 fee required). If the purchaser is deceased, either a copy of the page from the will showing the name of the executor/executrix or “letters testamentary” are necessary for legal authority to make the change.

PACT Contract Payments

Q: What payment plans are offered?

A: (1) A single lump-sum payment
(2) Monthly payments for five years
(3) Extended monthly payments (through the beneficiary’s senior year in high school)

Q: How do I make payments?

A: (1) Automatic payment from a bank checking/savings account
(2) Coupon book – mail payments by check

(3) Payroll deduction (for those with employers willing to do this)

Q: Can I change my payment plan from the five year to the extended or vice versa?

A: Yes. If you make this change before February 15th (when you initially enroll), there is no charge. Thereafter, there is a \$20 charge in addition to the amount required to bring the five year plan current, if you have changed from the extended plan. If you change from the five year to the extended, you may be paid ahead of schedule.

Q: What if I can't pay the lump sum by February 1st?

A: On February 15th, a \$15 late fee is assessed; on March 1st an additional actuarial assessment of 1% of the outstanding balance (per month) is required. All payments are due on the first of each month.

Q: What is my payment due date?

A: The first day of each month. All payments incur a \$15 late fee if not received by the 15th of the month.

Q: If I don't have the full amount for the lump sum, can I make a payment up front and restructure my payments?

A: You must choose one of the monthly plans offered if you can't pay the lump sum by the end of February. You can make a payment up front which you can use to reduce the amount you pay monthly, or to help you pay off sooner and pay less than the total of the monthly payments.

Q: If I choose a monthly payment plan, can I pay it off early?

A: Yes. At any time you can either call PACT for the payoff, or access this information on line. In most every situation, the payoff will save you interest payments.

Q: What if I get behind in my payments because of financial difficulty?

A: You can call PACT to discuss your situation and get advice on how to keep your contract from cancellation.

Cancellations/Refunds/Reinstatements

Q: Can a PACT contract be cancelled?

A: Yes. PACT is a voluntary program and the contract can be cancelled at any time upon written request from the purchaser. A contract is involuntarily cancelled if no payment is received within 45 days of the first payment due date or if contract payments are 6 months behind.

Q: If I cancel my contract, what is my refund?

A: Your refund is based on the total contract payments with .22% interest – minus a \$75 cancellation fee, account maintenance fees, any other outstanding fees owed and any benefits paid. (For cancellations based on death/disability of the beneficiary, the cancellation fee is waived.)

Q: If my contract cancels, can I have it reinstated?

A: You can reinstate a cancelled account within 6 months of the cancellation provided you pay the

full amount required to bring your payments current. If you wait for more than 6 months, you must purchase a new contract with new pricing during a future enrollment period.

Transferring Contract Benefits to an Eligible Substitute Beneficiary

Q: What if the child for whom the contract is purchased decided not to go to college?

A: The purchaser can request a refund or the contract can be transferred (\$55 fee required) to an eligible substitute beneficiary (a member of the immediate family of the beneficiary, including first cousins). The substitute beneficiary must use the contract benefits within the same 10 year period as the original beneficiary.

Q: What if the child does not use all of the contract benefits?

A: As long as there are 15 semester hours remaining and the beneficiary has not graduated, the remaining benefits can be transferred to an eligible substitute beneficiary (\$55 fee required). The remaining benefits must be used within the same 10 year period as the original beneficiary.

Using PACT Benefits – Attending College

Q: Will we receive information about using benefits:

A: Yes. During spring of the beneficiary's senior year in high school, a letter will be sent explaining the process.

Q: Will my child receive a PACT ID card?

A: No. PACT no longer sends out cards because every public college/university has access to a website to get current account information. An eligibility letter is mailed out to beneficiaries in May and can be used to present to the college/university for verification of eligibility.

Q: Should we notify PACT upon enrollment?

A: Only if your child chooses a private or out-of-state college/university – notification should be sent 60 days in advance. All public college in Alabama have access to a website where they can verify your eligibility.

Q: How will the private or out-of-state college know about this payment?

A: Once you notify PACT, a letter is sent to the college informing them your child will be attending and also providing billing instructions. The student must ask the college each semester to bill PACT.

Q: How does the payment process work?

A: Inform the billing office at the college/university that you have PACT. They can verify your eligibility and then will bill us directly. Payment is made directly to them. Any refund due must be requested from the college/university.

Q: How can we determine the amount that will be paid to a private or out-of-state college/university?

A: The current rate is \$151.85 per semester hour (\$101.85 per quarter hour) and \$73.92 per semester (\$49.28 per quarter) for fees. Multiply the number of hours by the rate and then add \$73.92. From this total, subtract the \$25 processing fee. This rate changes on January 1st of each year to reflect the previous year's increases. If the college charges less than this amount, the lesser amount is what will be paid.

Q: When does PACT make payments to the college/university?

A: PACT requests invoices from the college/university before the "Drop/Add" period when partial refunds begin. PACT cannot make payment until an invoice is received. Once the invoice is received, most payments are made within 10 – 20 days. You can access this information for your account on line.

Q: Can my child transfer from one college to another?

A: Yes. There are no limits on transfers – PACT pays for a specified number of credit hours and fee payments.

Q: How does my account work?

A: Each semester that an invoice is processed, hours and if applicable, a fee term, are deducted from your account. Each year you receive a Usage Statement that gives you a detailed listing of the invoices processed.

Q: What if my child chooses a college/university that does not have a traditional semester/quarter schedule?

A: PACT will work out the details with the college as long as it is accredited and degree granting.

Q: What if my child wants to enroll in college early, or chooses to take college classes while still in high school?

A: If the contract is paid in full, the purchaser must send a written request to advance the benefits ahead of schedule. Payment can begin up to three years in advance of the projected enrollment year.

Q: How long does my child have to use the contract benefits?

A: The child has 10 years from high school graduation to use the contract benefits. It does not matter how many hours are taken per semester or how long it takes to complete an undergraduate degree, as long as it is within the ten year period.

Q: What if my child graduates without using all of the benefits?

A: Your contract terminates when you use all of your hours or receive a baccalaureate degree, whichever comes first. If you choose to do so before graduation and there are at least 15 semester hours remaining, you can transfer remaining benefits to a qualified substitute beneficiary.

Q: What if my child has hours left after graduation and wants to go back to take additional courses?

A: Once your child graduates, the contract terminates and no benefits are available.

Q: Will PACT pay for graduate or professional school?

A: No. PACT only pays for an undergraduate degree.